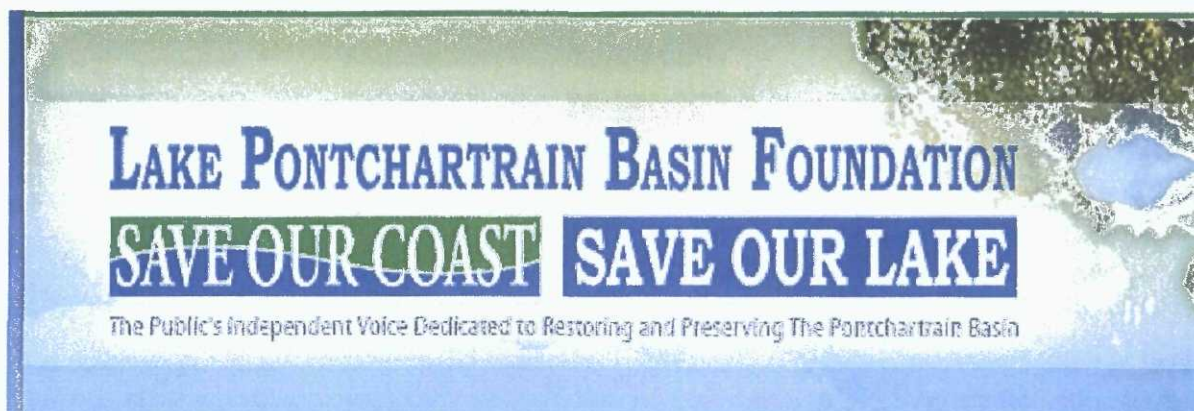


Financial Report

Lake Pontchartrain Basin Foundation

December 31, 2011



Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 17 2012

Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

TABLE OF CONTENTS

Lake Pontchartrain Basin Foundation

December 31, 2011

	<u>Page Number</u>
Financial Section	
Independent Auditor's Report	1 - 2
Exhibits	
A - Statement of Financial Position	3
B - Statement of Activities	4 - 5
C - Statement of Functional Expenses	6
D - Statement of Cash Flows	7
E - Notes to Financial Statements	8 - 19
Supplementary Information	
Schedule	
1 - Schedule of Revenues, Support, and Expenses - Actual to Budget	20
Special Reports of Certified Public Accountants	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	21 - 22
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	23 - 24
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27 - 29
Reports By Management	
Schedule of Prior Year Findings and Questioned Costs	30 - 31
Management's Corrective Action Plan	32 - 33

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Lake Pontchartrain Basin Foundation,
Metairie, Louisiana.

We have audited the accompanying statement of financial position of Lake Pontchartrain Basin Foundation (the "Foundation") (a nonprofit Foundation) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report, dated June 18, 2012 on our consideration of the Foundation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of revenues, support, and expenses - actual to budget is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 18, 2012.

STATEMENT OF FINANCIAL POSITION**Lake Pontchartrain Basin Foundation**

December 31, 2011

Assets

Cash and cash equivalents	\$ 242,916
Cash restricted for program expenditures	846,478
Investments	518,252
Grant receivables	89,746
Pledge receivables	23,618
Property and equipment, net of accumulated depreciation	<u>405,398</u>
Total assets	<u>\$ 2,126,408</u>

Liabilities

Accounts payable and other liabilities	<u>\$ 207,103</u>
--	-------------------

Net Assets

Unrestricted	1,018,981
Temporarily restricted	897,824
Permanently restricted	<u>2,500</u>
Total net assets	<u>1,919,305</u>
Total liabilities and net assets	<u>\$ 2,126,408</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and Revenues				
Contracts - Federal:				
Department of Environmental Quality	\$ 114,455	\$ 11,439		\$ 125,894
Department of Health and Hospitals	9,327			9,327
Grants - Federal:				
Environmental Protection Agency:				
Department of Environmental Quality	178,514			178,514
Gulf of Mexico	76,015			76,015
Lake Pontchartrain Basin Restoration Program	515,762	6,473		522,235
Grants - Non-Federal:				
Mandeville Wetlands		15,906		15,906
Regional Planning Commission	8,000			8,000
School of Fish Program		10,000		10,000
Grants - Coastal:				
Coalition to Restore Coastal Louisiana	5,059	6,941		12,000
Environmental Defense Fund	52,279	22,721		75,000
McKnight	25,578	94,422		120,000
National Wildlife Federation		50,000		50,000
New Orleans Oyster Festival		20,000		20,000
Surdna Foundation	28,621	8,879		37,500
Walton Family Foundation	45,858	29,142		75,000
Fundraising:				
Donations	90,328			90,328
Lighthouse income		39,976		39,976
Membership sales	26,346			26,346
Special events	269,031			269,031
Other Income:				
Investment income	2,465	1,303		3,768
Miscellaneous income	38			38
Recreation maps/Artificial Reef Program	3,518	9,379		12,897
Sponsorships - Basics of the Basin Conference	2,635	6,465		9,100
Total support and revenues before donated services	1,453,829	333,046	-	1,786,875
Donated services - promotion / advertising	243,345			243,345
Donated services - IT / rent	28,488			28,488
Donated services - legal	10,427			10,427
Donated services - lab analysis	67,246	-	-	67,246
Total donated services	349,506	-	-	349,506
Total support and revenues	1,803,335	333,046	-	2,136,381

**Exhibit B
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Net assets released from restrictions:				
Expiration of time restrictions and program restrictions satisfied through payments	<u>417,372</u>	<u>(417,372)</u>	<u>-</u>	<u>-</u>
Total revenues, support and net assets released from restrictions	<u>2,220,707</u>	<u>(84,326)</u>	<u>-</u>	<u>2,136,381</u>
Expenses				
Program services:				
Outreach / education	<u>261,769</u>	<u>-</u>	<u>-</u>	<u>261,769</u>
Scientific / research / habitat	<u>981,080</u>	<u>-</u>	<u>-</u>	<u>981,080</u>
Total program services	<u>1,242,849</u>	<u>-</u>	<u>-</u>	<u>1,242,849</u>
Supporting services:				
Fund raising	<u>584,359</u>	<u>-</u>	<u>-</u>	<u>584,359</u>
Management and general	<u>369,271</u>	<u>-</u>	<u>-</u>	<u>369,271</u>
Total supporting services	<u>953,630</u>	<u>-</u>	<u>-</u>	<u>953,630</u>
Total expenses	<u>2,196,479</u>	<u>-</u>	<u>-</u>	<u>2,196,479</u>
Change In Net Assets	<u>24,228</u>	<u>(84,326)</u>	<u>-</u>	<u>(60,098)</u>
Net Assets				
Beginning of year (as restated)	<u>994,753</u>	<u>982,150</u>	<u>\$ 2,500</u>	<u>1,979,403</u>
End of year	<u>\$ 1,018,981</u>	<u>\$ 897,824</u>	<u>\$ 2,500</u>	<u>\$ 1,919,305</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2011

	Program Services		Support Services		
	Outreach/ Education	Scientific / Research / Habitat	Fund - Raising	Management and General	Totals
Personnel:					
Salaries	\$ 126,414	\$ 256,464	\$ 110,935	\$ 179,350	\$ 673,163
Fringe benefits and payroll taxes	20,935	44,736	15,831	39,458	120,960
Fundraising events:					
Back to the Beach	-	-	137,640	-	137,640
Back to the Beach Patron Party	-	-	7,347	-	7,347
Beach Sweep	-	-	5,341	-	5,341
Golf tournament	-	-	8,016	-	8,016
North Shore party	-	-	11,297	-	11,297
Rodeo	-	-	6,710	-	6,710
Operating:					
Annual report	3,551	-	-	3,551	7,102
Bank charges	-	-	191	339	530
Computer maintenance	6,111	4,375	4,219	10,871	25,576
Contract employees	-	121,441	-	-	121,441
Dues and subscriptions	74	223	478	866	1,641
Environment issues	714	6,137	-	-	6,851
Insurance	2,039	10,450	951	3,021	16,461
Laboratory fees	-	112,933	-	-	112,933
Lighthouse	13,250	-	-	-	13,250
Mandeville Wetlands Summer Camp	15,747	-	-	-	15,747
Miscellaneous expense	415	6,939	922	2,409	10,685
Newsletter	4,748	-	606	-	5,354
Outside/professional services	19,539	37,115	2,510	48,375	107,539
Parking	1,130	770	1,409	3,067	6,376
Poster sales	60	-	88	-	148
Printing and postage	5,501	3,320	7,994	3,231	20,046
Property taxes	605	412	-	357	1,374
Recreation map	-	7,834	-	-	7,834
Rent	12,524	14,681	7,167	19,887	54,259
Research and study	-	228,311	-	-	228,311
Seminars and conferences	1,083	7,299	370	1,644	10,396
Supplies and equipment	4,394	5,886	3,017	7,085	20,382
Taxes and licenses	-	-	-	2,205	2,205
Telephone and internet	6,237	5,607	3,149	9,102	24,095
Travel	3,805	23,567	1,128	2,267	30,767
Vehicle and boat maintenance	-	4,239	-	-	4,239
Total expenses before depreciation and donated services	248,876	902,739	337,316	337,085	1,826,016
Depreciation and amortization	2,466	11,095	3,698	3,698	20,957
In-kind donations	10,427	67,246	243,345	28,488	349,506
Total expenses	\$ 261,769	\$ 981,080	\$ 584,359	\$ 369,271	\$ 2,196,479

See notes to financial statements.

STATEMENT OF CASH FLOWS**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2011

Cash Flows From Operating Activities:

Change in net assets	\$ (60,098)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	20,957
Loss on disposal of property and equipment	484
Gain on sale of investments	(2,331)
Unrealized loss on investments	13,225
(Increase) decrease in operating assets:	
Grant receivable	19,072
Pledge receivable	(23,618)
Prepaid expenses	1,410
Increase in operating liabilities:	
Accounts payable and other liabilities	141,070
Net cash from operating activities	<u>110,171</u>

Cash Flows From Investing Activities:

Purchase of investments	(51,956)
Proceeds from sale of investments	40,000
Purchase of property and equipment	(108,015)
Net cash used in investing activities	<u>(119,971)</u>

Net Decrease in Cash and Cash Equivalents (9,800)

Cash and Cash Equivalents

Beginning of year	<u>1,099,194</u>
End of year	<u>\$ 1,089,394</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Lake Pontchartrain Basin Foundation

December 31, 2011

Note 1 - NATURE OF ACTIVITIES

Lake Pontchartrain Basin Foundation (the "Foundation") is a non-profit, publicly supported organization. It was established and incorporated September 19, 1989 by Act 716 of the 1989 Louisiana Legislature for the purpose of the restoration and preservation of the environmental and ecological balance of the Lake Pontchartrain Basin.

The Foundation has established goals of attaining improved water quality standards of Lake Pontchartrain and its major tributaries, and the protection and restoration of the Lake Pontchartrain Basin's natural resources including its coast. The Foundation assists and coordinates efforts with Federal, state, and local agencies to clean up and restore the Lake Pontchartrain Basin. The Foundation also undertakes programs and funds research in areas such as municipal runoff, sewage systems, industrial discharge, agricultural discharge, saltwater intrusion, erosion, and habitat restoration.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when the related liability is incurred.

b. Basis of Presentation

The Foundation reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Basis of Presentation (Continued)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that are maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related cash and investments for general or specific purposes.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

d. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

e. Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and writes off all balances deemed uncollectible. Management believes all outstanding balances as of December 31, 2011 to be fully collectible.

f. Pledge Receivables

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises of donors to make contributions to the Foundation are included in the financial statements as pledge receivables. Unconditional promises to give as of

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Pledge Receivable (Continued)

December 31, 2011 totaled \$23,618, all of which are due within one year. Management believes that all outstanding pledge receivables as of December 31, 2011 are fully collectible. There are no conditional promises to give as of December 31, 2011.

g. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Other sources of revenue include grants, contracts, sales of merchandise and fund raising events.

h. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

i. Property and Equipment

Property and equipment is recorded at cost when purchased and at fair market value when received as a donation. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for improvements, renewals, and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Property and Equipment (Continued)

Estimated useful lives of property and equipment range from 3 to 40 years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is recorded in the change in net assets.

j. Allocated Expenses

The costs of providing the programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimates of the costs involved.

k. Compensated Absences

The Foundation currently employs a compensated absences policy to which employees earn an escalating number of paid compensation hours each year based on the length of service provided to the Foundation. Employees may carry over and accumulate annual leave time up to a maximum of 240 hours without forfeiture.

As of December 31, 2011, employees of the Foundation had accumulated \$46,301 of employee leave benefits. These amounts are included on the Statement of Financial Position in accounts payable and other liabilities.

l. Income Taxes

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana and is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code ("IRC"), and qualifies as a foundation that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of December 31, 2011 the Foundation believes that

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Income Taxes (Continued)

is has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended December 31, 2008 and later remain subject to examination by the taxing authorities.

m. New Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, ("ASU 2010-06"). ASU 2010-06 clarifies certain existing fair value disclosures and requires entities to disclose additional information regarding the amounts of and reasons for significant transfers between levels of the fair value hierarchy effective for reporting periods beginning after December 15, 2009. Effective for fiscal years beginning after December 15, 2010, it will also require entities to present information regarding changes in Level 3 assets and liabilities on a gross basis. Since ASU 2010-06 affects only fair value measurement disclosures, its adoption by the Foundation has no effect on the Foundation's financial position, changes in net assets, or cash flows.

n. Subsequent events

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 18, 2012, which is the date the financial statements were available to be issued.

Note 3 - RESTATEMENT

During 2011, it was discovered that costs incurred in prior years for the Foundation's auxiliary building and the Lighthouse Museum and Education Center ("Lighthouse") were expensed and not capitalized as leasehold improvements. Also, certain prior year grant revenue was not accrued as of December 31, 2010. Finally, the classification of net assets for certain transactions had been improperly classified as unrestricted in previously issued financial statements. The following table presents these corrections.

Note 3 - RESTATEMENT (Continued)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
Net assets as of December 31, 2010, as previously reported	\$ 1,147,980	\$ 523,949	\$ 2,500	\$ 1,674,429
Prior period adjustments:				
Auxiliary building	175,836			175,836
Lighthouse	98,464			98,464
Grant receivable	30,674			30,674
Net asset correction	<u>(458,201)</u>	<u>458,201</u>	<u>-</u>	<u>-</u>
Net assets as of December 31, 2010, as restated	<u>\$ 994,753</u>	<u>\$ 982,150</u>	<u>\$ 2,500</u>	<u>\$ 1,979,403</u>

Note 4 - CASH RESTRICTED FOR PROGRAM AND CAPITAL EXPENDITURES

In accordance with Environmental Protection Agency grant agreements, the Foundation is required to maintain separate checking accounts for which the use is restricted to the purpose of the grant. The Foundation has also restricted funds to be used to fund the Lighthouse renovation and construction project (the "Lighthouse Project"). As of December 31, 2011, \$413,512 was restricted for the Lighthouse Project, and \$432,966 was restricted for program expenditures.

Note 5 - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash accounts at several local financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 as of December 31, 2011. The Foundation also has cash equivalent accounts with a brokerage firm. The Securities Investor Protection Corporation insures these accounts up to \$250,000. Uninsured or non-guaranteed cash and cash equivalent balances are approximately \$132,000 as of December 31, 2011.

Note 6 - INVESTMENTS

The Foundation's investments as of December 31, 2011 are summarized below:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Mutual funds	\$ 491,089	\$ 500,722	\$ 9,633
Pooled investment accounts	<u>17,283</u>	<u>17,530</u>	<u>247</u>
Totals	<u>\$ 508,372</u>	<u>\$ 518,252</u>	<u>\$ 9,880</u>

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balances as of December 31, 2011	<u>\$ 508,372</u>	<u>\$ 518,252</u>	<u>\$ 9,880</u>
Balances as of December 31, 2010	<u>\$ 494,085</u>	<u>\$ 517,190</u>	<u>\$ 23,105</u>
Decrease in unrealized appreciation			<u>\$ (13,225)</u>

Investment return for the years ended December 31, 2011 is summarized as follows:

Interest	\$ 2,409
Dividends	12,306
Realized gain	2,331
Unrealized loss	(13,225)
Investment expenses	<u>(53)</u>
Total investment income	<u>\$ 3,768</u>

Note 7 - ASSETS MEASURED AT FAIR VALUE

Fair value concepts are applied in recording investments. A fair value hierarchy which has three levels based on the reliability of the inputs is used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

Note 7 - ASSETS MEASURED AT FAIR VALUE (Continued)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation uses the market approach for valuing mutual funds and pooled investment accounts which are within the Level 1 fair value hierarchy. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis as of December 31, 2011 are comprised of and determined as follows:

Description	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
World Allocation	\$ 107,238	\$ 107,238		
High Yield Bond Fund	51,540	51,540		
Intermediate Term Bond Fund	153,263	153,263		
Nontraditional Bond Fund Index	38,900	38,900		
Short Term Bond Fund Index	149,781	149,781		
Pooled investment accounts	17,530	17,530		
Totals	<u>\$ 518,252</u>	<u>\$ 518,252</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2011, there were no assets measured at fair value on a non-recurring basis.

Note 8 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2011 is as follows:

Computer equipment	\$ 85,022
Furniture and fixtures	11,063
Boat and other program equipment	166,438
Leasehold improvements	175,836
Construction in progress	<u>192,760</u>
	631,119
Accumulated depreciation	<u>(225,721)</u>
Totals	<u><u>\$ 405,398</u></u>

Depreciation and amortization expense for the year ended December 31, 2011 was \$20,957.

Note 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of grant funding received in advance, net of the related expenditures associated with the grant. These restrictions are considered to expire when payments for restricted purposes are made.

Temporarily restricted net assets as of December 31, 2011 are as follows:

Lighthouse	\$ 413,512
McKnight	94,422
Entergy Oyster Reef	91,087
Kresge	86,804
National Wildlife Federation	50,000
Walton Foundation	29,142
Environmental Defense Fund	22,721
New Orleans Oyster Foundation	20,000
Mandeville Wetland Education	18,710
Oil Spill	12,204
Department of	
Environmental Quality	13,065
Artificial Reef Program	9,379
Surdna Foundation	8,879
Other projects	<u>27,899</u>
	<u><u>\$ 897,824</u></u>

Note 9 - RESTRICTIONS ON NET ASSETS (Continued)

Permanently restricted net assets total \$2,500 which represents the portion of the investment account established through the Greater New Orleans Foundation.

Note 10 - PENSION PLAN

The Foundation sponsors a 401(k) plan covering all employees who have completed a minimum of one year of service. Eligible plan participants may contribute to the plan and the Foundation may make matching contributions on behalf of participants of up to 5% of employee contributions. The Foundation's contributions to the plan totaled \$8,841 for the year ended December 31, 2011.

Note 11 - OPERATING LEASES

The Foundation leases office space from the University of New Orleans Research and Technology Foundation, Inc. The current lease term commenced on December 1, 2010 and was extended on June 1, 2011 with an expiration date of May 31, 2012. The lease was then subsequently extended from June 1, 2012 through May 31, 2013. Monthly lease payments are \$477 for the lease term December 31, 2010 through May 31, 2011, \$490 for the lease term June 1, 2011 through May 31, 2012, and \$747 for the lease term June 1, 2012 through May 31, 2013. Rent expense under this lease agreement was approximately \$5,000 for the year ended December 31, 2011. Minimum future lease payments required under the operating lease agreement in effect as of December 31, 2011 total \$2,451 for the year ending December 31, 2012.

The Foundation leases office space on a month-to-month basis in which it receives an in-kind donation for a portion of the rent (see note 12). The monthly lease payment for 2011 was \$4,538. Rent expense under the lease was approximately \$50,000 for the year ended December 31, 2011.

In February 2012, the Foundation entered into an agreement to lease land for the Lighthouse Project. The agreement is for a primary term of five years with eleven additional five year options to renew, with a maximum term of up to 60 years which may be extended by mutual agreement. The rent for the initial five year term is \$500, and shall be increased by 15% for each five year extension of the lease.

Note 12 - IN-KIND DONATIONS

The Foundation records the value of in-kind donations when the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which would typically need to be purchased if not provided by donation.

The fair value of in-kind donations and the corresponding expenses for the year ended December 31, 2011 are as follows:

Donated services	\$ 315,064
Office space, parking, and utilities	26,004
Use of land	<u>8,438</u>
	<u>\$ 349,506</u>

The Foundation received donated use of office space, parking, and utilities which are recorded in the accompanying Statement of Activities as donated rent. For the year ended December 31, 2011, the value of the donated use of office space was \$26,004. This lease agreement is on a month-to-month basis (see Note 11).

The Foundation also received donated use of land for its auxiliary building and the Lighthouse Project. For the year ended December 31, 2011, the value of the donated use of land was \$8,438.

Some volunteers donate their time in the Foundation's program activities; these services are not recorded if these individuals do not have specialized skills.

Note 13 - RISKS AND UNCERTAINTIES

Investments in various securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by the Foundation.

Note 14 - ECONOMIC DEPENDENCY

The Foundation has a significant amount of revenue received from the Environmental Protection Agency. In 2011, 43% of the Foundation's total support and revenue before donated services was derived from Environmental Protection Agency grants.

Note 15 - COMMITMENTS

On July 12, 2011, the Foundation entered into a contract for the design, renovation, and construction of the Lighthouse. The construction contract totals \$439,800. As of December 31, 2011, the Foundation had incurred construction expenses totaling approximately \$62,000, which are included in property and equipment on the Statement of Financial Position as construction in progress.

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, SUPPORT, AND EXPENSES - ACTUAL TO BUDGET**Lake Pontchartrain Basin Foundation**

For the year ended December 31, 2011

	2011		Variance
	Actual	Budget (Unaudited)	Favorable (Unfavorable)
Revenues and Support			
Contracts - Federal:			
Department of Environmental Quality	\$ 125,894	\$ 127,260	\$ (1,366)
Department of Health and Hospitals Contract	9,327	10,000	(673)
Grants - Federal:			
Environmental Protection Agency:			
Department of Environmental Quality	178,514	208,078	(29,564)
Gulf of Mexico	76,015	108,862	(32,847)
PRP	522,235	721,811	(199,576)
Grants - Non-Federal:			
Mandeville Wetlands	15,906	16,000	(94)
Regional Planning Commission	8,000	-	8,000
School of Fish Program	10,000	-	10,000
Grants - Coastal:			
Coalition to Restore Coastal Louisiana	12,000	12,000	-
Environmental Defense	75,000	75,000	-
McKnight	120,000	120,000	-
National Wildlife Federation	50,000	50,000	-
New Orleans Oyster Festival	20,000	20,000	-
Surdna Foundation	37,500	37,500	-
Walton Family Foundation	75,000	75,000	-
Other Coastal Grants	-	373,800	(373,800)
Fundraising:			
Donations	90,328	51,082	39,246
Lighthouse income	39,976	2,000	37,976
Membership sales	26,346	27,000	(654)
Special events	269,031	310,000	(40,969)
Other Income:			
Investment income	3,768	20,000	(16,232)
Miscellaneous income	38	3,000	(2,962)
Recreation maps	12,897	-	12,897
Sponsorships	9,100	-	9,100
Total revenue and support before donated services	1,786,875	2,368,393	(581,518)
Donated services	349,506	350,000	(494)
Total revenues and support	2,136,381	2,718,393	(582,012)
Expenses			
Program services:			
Outreach / education	261,769	268,470	6,701
Scientific / research / habitat	981,080	1,608,272	627,192
Total program services	1,242,849	1,876,742	633,893
Supporting services:			
Fund raising	341,014	346,399	5,385
Donated Services - fundraising	243,345	245,000	1,655
Management and general	369,271	250,252	(119,019)
Total supporting services	953,630	841,651	(111,979)
Total expenses	2,196,479	2,718,393	521,914
Increase (Decrease) In Net Assets	\$ (60,098)	\$ -	\$ (60,098)

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Lake Pontchartrain Basin Foundation,
Metairie, Louisiana.

We have audited the financial statements of Lake Pontchartrain Basin Foundation ("the Foundation") (a nonprofit organization), as of December 31, 2011 and for the year then ended, and have issued our report thereon, dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, which we consider to be significant deficiencies in internal control over financial reporting as described in items 11-01 and 11-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Foundation's responses to the findings identified in our audit are described in Management's Corrective Action Plan. We did not audit the Foundation's responses and, accordingly we express no opinion on them.

This report is intended for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and federal awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 18, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors,
Lake Pontchartrain Basin Foundation
Metairie, Louisiana.

Compliance

We have audited the compliance of Lake Pontchartrain Basin Foundation (the "Foundation") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Foundation's major federal program for the year ended December 31, 2011. The Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Foundation's major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, LLC.

Certified Public Accountants

New Orleans, Louisiana,
June 18, 2012.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Lake Pontchartrain Basin Foundation New Orleans, Louisiana

For the year ended December 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Environmental Protection Agency:		
<u>Pass-Through Program From:</u>		
<u>University of New Orleans</u>		
Lake Pontchartrain Basin Restoration Program	66.125	\$ 522,235
Gulf of Mexico Program	66.475	76,015
<u>Pass-Through Program From:</u>		
<u>State of Louisiana Department of Environmental Quality</u>		
Nonpoint Source Implementation Grant		
Water Quality Monitoring	66.460	<u>178,514</u>
Total United States Environmental Protection Agency		<u>776,764</u>
Total expenditures of federal awards		<u><u>\$ 776,764</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Lake Pontchartrain Basin Foundation New Orleans, Louisiana

For the year ended December 31, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lake Pontchartrain Basin Foundation (the "Foundation") and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Foundation has met the cost reimbursement of funding qualifications for the respective grant. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

b. Payments to Subrecipients

There were no payments to subrecipients for the year ended December 31, 2011.

Note 2 - FINDINGS OF NONCOMPLIANCE

There are no findings of noncompliance disclosed in the accompanying Schedule of Findings and Questioned Costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lake Pontchartrain Basin Foundation

For the year ended December 31, 2011

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

b) Federal Awards

Internal control over major program:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency (ies) identified ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ☐ yes ☒ no

c) Identification of Major Programs:

CFDA Number

66.125

Name of Federal Program

United States Environmental Protection Agency –
Passed through University of New Orleans – Lake
Pontchartrain Basin Restoration Program

Section I - Summary of Auditor's Report (Continued)

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

11-01 Preparation of Financial Statements and Disclosures

Criteria – Adequate internal controls in relation to financial reporting require the Foundation to have the ability to prepare its own financial statements in accordance with generally accepted accounting principles (GAAP), including all required footnote disclosures, or detect misstatements or errors in statements prepared by others.

Condition - Year ended December 31, 2011 financial statements and required disclosures were not prepared by the Foundation.

Context - The year end financial statements were prepared by the auditors.

Cause - The management of the Foundation has not determined a need for a financial person possessing the required technical expertise for cost benefit reasons.

Effect - The independent auditor cannot be part of the Foundation's internal control over financial reporting.

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing year end financial statements by carefully reviewing the financial statements, including disclosures.

Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical. - None.

11-02 Internal Control Structure

Criteria - The internal control structure should be designed to contain segregation of duties to provide reasonable assurance that all transactions are being properly recorded, all receivables and payables are properly posted to the general ledger, and all assets are properly safeguarded.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements (Continued)

Internal Control Over Financial Reporting (Continued)

11-02 Internal Control Structure (Continued)

Condition - The Organization's internal control structure can be strengthened under its current design as one individual is performing the majority of the accounting functions.

Context - Systematic.

Cause - The internal control structure does not contain certain controls to address the lack of segregation of duties.

Effect - A system of internal controls currently exists which could lead to errors or irregularities which may not be detected by those in charge of governance.

Recommendation - The Foundation should design a system of controls to address the lack of segregation of duties. Such controls should include obtaining the Executive Director's or others in charge of governance's approval of bank reconciliations and payroll registers.

Views Of Responsible Officials Of The Auditee - When There is a Disagreement With the Finding, to the Extent Practical - None.

Compliance and Other Matters

There were no findings noted during the audit for the year ended December 31, 2011 related to compliance and other matters.

Section III - Internal Control and Compliance Material to Federal Awards

Internal Control/Compliance

There were no findings noted during the audit for the year ended December 31, 2011 related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS

Lake Pontchartrain Basin Foundation

For the year ended December 31, 2011

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Financial Statements**

Internal Control Over Financial Reporting

10-01 Preparation of Financial Statements and Disclosures

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing year end financial statements by carefully reviewing the financial statements, including disclosures.

Current Status - Unresolved. Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with generally accepted accounting principles. See 11-01.

10-02 Internal Control Structure

Recommendation - The Foundation should design a system of controls to address the lack of segregation of duties. Such controls should include: 1) obtaining the Executive Director's approval of bank reconciliations, 2) forwarding the unopened bank statement to an authorized check signed for review.

Current Status - Unresolved. Management will implement policies in which the Executive Director or others in charge to governance will approve bank reconciliations and review bank statements.

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

10-03 Grant Receivable

Recommendation - The Foundation should record grants receivable at the time that expenses reimbursable under grant agreements are incurred. The grant receivable account should be reconciled on a monthly basis and the reconciliation should be documented as approved by management.

Current Status - Resolved. Management and the accounting staff have instituted procedures to record grants receivable at the time the expenses are reimbursable.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended December 31, 2010.

Section II - Internal Control and Compliance Material to Federal Awards

Lake Pontchartrain Basin Foundation did not expend Federal awards in excess of \$500,000 during the year ended December 31, 2010 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2010.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Lake Pontchartrain Basin Foundation

For the year ended December 31, 2011

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

11-01 Preparation of Financial Statements and Disclosures

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing year end financial statements by carefully reviewing the financial statements, including disclosures.

Management's Corrective Action - Management will work toward implementing internal controls which will address the preparation of year end financial statements and related disclosures.

11-02 Internal Control Structure

Recommendation - The Foundation should design a system of controls to address the lack of segregation of duties. Such controls should include obtaining the Executive Director's or others in charge of governance's approval of bank reconciliations and payroll registers.

Management's Corrective Action - Management and those charged with governance will implement a system of internal controls in which bank reconciliations and payroll registers are approved by the Executive Director or others in charge of governance of duties.

Compliance and Other Matters

There were no compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2011 related to compliance and other matters.

Section II - Internal Control and Compliance Material To Federal Awards

There were no findings noted during the audit for the year ended December 31, 2011 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2011.